



ARIZONA STATE SENATE
Fifty-Third Legislature, First Regular Session

AMENDED
FACT SHEET FOR H.B. 2213

GPLET reform; K-12 taxes

Purpose

Modifies existing requirements pertaining to the government property lease excise tax (GPLET).

Background

The GPLET was established by [Laws 1996, Chapter 349](#) as a replacement for the tax on possessory interests that was repealed in 1995. The GPLET is a local excise tax that is based on the square footage of a building rather than its value and is levied on private entities (prime lessees) that lease the property of a city, town, county or county stadium district (government lessor) for commercial or industrial purposes for at least 30 days. The GPLET rate is dependent upon the date the lease was entered into and the type of property use as follows:

Type of Property	GPLET rate for leases entered into prior to June 1, 2010	GPLET rate for leases entered into on or after June 1, 2010	GPLET rate for the 2017 tax year
One Story Office Structure	\$1.00 per square foot	\$2.00 per square foot	\$2.20 per square foot
Two to Seven Story Office Structure	\$1.25 per square foot	\$2.30 per square foot	\$2.53 per square foot
Eight or More Story Office Structure	\$1.75 per square foot	\$3.10 per square foot	\$3.41 per square foot
Retail Structure	\$1.50 per square foot	\$2.51 per square foot	\$2.76 per square foot
Hotel/Motel Structure	\$1.50 per square foot	\$2.00 per square foot	\$2.20 per square foot
Warehouse/Industrial Structure	\$1.75 per square foot	\$1.35 per square foot	\$1.48 per square foot
Residential Rental Structure	\$0.50 per square foot	\$0.76 per square foot	\$0.84 per square foot
All Others	\$1.00 per square foot	\$2.00 per square foot	\$2.20 per square foot
Parking	\$100.00 per parking space	\$200.00 per parking space	\$219.75 per parking space

[Laws 2010, Chapter 321](#) increased the GPLET rates for new leases entered into on or after June 1, 2010. Additionally, the 2010 law required the Arizona Department of Revenue (DOR), beginning December 1, 2011, to: 1) annually adjust the GPLET rates for each type of property use based on inflation; and 2) to post the adjusted rates for the following calendar year on its official website and transmit the adjusted rates to each county treasurer by December 15 of each year ([A.R.S. § 42-6203](#)).

The GPLET may be abated by a city or town for a limited period beginning when the certificate of occupancy on the government property is issued and ending eight years after issuance, provided that: 1) the property is located in a single central business district of the city or town within a slum or blighted area and is subject to a lease or development agreement entered into on or after April 1, 1985; and 2) the property improvement resulted or will result in an increase in property value of at least 100 percent ([A.R.S. § 42-6209](#)).

Unless abated, GPLET revenues are allocated among taxing jurisdictions as follows: 1) counties (13 percent); 2) cities and towns (seven percent); 3) community college districts (seven percent); 4) common school districts or high school districts (36.5 percent); and 4) unified school districts (73 percent) ([A.R.S. § 42-6205](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Subjects a lease on government property that was entered into within 10 years of the authorizing development agreement, ordinance or resolution that was approved by the governing body of the government lessor before June 1, 2010 to the original GPLET rates, provided that the lease was deemed compliant by the Arizona Department of Revenue (DOR).
2. Requires a government lessor to maintain a public database by county, city and town as applicable or to post its lease agreements on a county, city or town website where the government property improvement is located, of all government property leases that are subject to tax.
3. Requires the government lessor to submit a current link to the public database to DOR and to notify DOR when the database no longer contains any active leases.
4. Requires DOR to place links to all of the government lessors' databases with active leases on their website.
5. Requires the government lessor to calculate the excise tax for each prime lessee.
6. Subjects a GPLET to a 16 percent delinquency interest rate if not paid in a timely manner.
7. Limits the lease period for a government property for which the GPLET is abated to eight years, regardless of whether the lease is transferred or conveyed to subsequent prime lessees during that period. *This would not apply to leases or development agreements for the lease of government property if the corresponding resolution, ordinance or submitted request for proposal for the lease or intent to lease such property was approved by the governing body of the government lessor before January 1, 2017.*
8. Requires the government lessor to convey the title to the government property and the underlying land to the current prime lessee within 12 months after the expiration of the lease, unless the parcel is in an airport and subject to federal regulation.

9. Specifies that the conveyed government property does not qualify for classification as class six property or any other discounted assessment regardless of the location or condition of the property.
10. Removes the requirement that a county treasurer submit a report to each government lessor of all returns and payments received by the government lessors for the preceding calendar year by February 15 of each year.
11. Makes technical and conforming changes.
12. Becomes effective on the general effective date.

Amendments Adopted by Committee

1. Replaces the validation requirement by the Joint Legislative Budget Committee with a determination of compliance requirement by DOR.
2. Exempts government property located in an airport and subject to federal regulation from the conveyance requirement.
3. Requires a government lessor to maintain a public database detailing all government property leases that are subject to tax on the applicable county, city or town website, and to provide certain information to DOR.
4. Makes technical changes.

House Action

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Senate Action

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Prepared by Senate Research

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